

Township of Ontwa
Cass County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Ontwa, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Ontwa, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Ontwa, Michigan, as of March 31, 2008, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in Note 12 to the financial statements, the Township recorded a prior period adjustment to correct its method of accounting for cash held for other units of government.

The budgetary comparison information, as listed on the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Ontwa has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

August 20, 2008



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Ontwa
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 447,173	\$ 1,335,897	\$ 1,783,070
Receivables, net	<u>271,154</u>	<u>645,676</u>	<u>916,830</u>
Total current assets	<u>718,327</u>	<u>1,981,573</u>	<u>2,699,900</u>
Noncurrent assets:			
Restricted cash - contract covenant accounts	-	1,891,626	1,891,626
Receivables, noncurrent	-	3,980,735	3,980,735
Capital assets not being depreciated	168,768	-	168,768
Capital assets, being depreciated, net of accumulated depreciation	486,457	10,352,820	10,839,277
Deferred charges	<u>-</u>	<u>115,635</u>	<u>115,635</u>
Total noncurrent assets	<u>655,225</u>	<u>16,340,816</u>	<u>16,996,041</u>
Total assets	<u>1,373,552</u>	<u>18,322,389</u>	<u>19,695,941</u>
LIABILITIES			
Current liabilities:			
Payables	200,823	165,404	366,227
Contracts payable	<u>-</u>	<u>544,478</u>	<u>544,478</u>
Total current liabilities	200,823	709,882	910,705
Long-term obligations - contracts payable	<u>-</u>	<u>6,911,419</u>	<u>6,911,419</u>
Total liabilities	<u>200,823</u>	<u>7,621,301</u>	<u>7,822,124</u>
NET ASSETS			
Invested in capital assets, net of related debt	655,225	3,012,558	3,667,783
Restricted for debt service	-	6,072,467	6,072,467
Unrestricted	<u>517,504</u>	<u>1,616,063</u>	<u>2,133,567</u>
Total net assets	<u>\$ 1,172,729</u>	<u>\$ 10,701,088</u>	<u>\$ 11,873,817</u>

See notes to the financial statements

Township of Ontwa
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
	<u>Expenses</u>			
Functions/Programs				
Governmental activities:				
Legislative	\$ 5,400	\$ -	\$ -	\$ -
General government	266,532	15,164	-	-
Public safety	725,710	18,463	1,607	-
Public works	26,200	-	3,426	161,418
Health and welfare	182,827	-	-	-
Recreation and culture	615	-	-	-
Community and economic development	18,040	10,323	-	-
Total governmental activities	<u>1,225,324</u>	<u>43,950</u>	<u>5,033</u>	<u>161,418</u>
Business-type activities:				
Sewer	960,773	625,236	-	89,147
Building inspection	<u>103,197</u>	<u>117,750</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,063,970</u>	<u>742,986</u>	<u>-</u>	<u>89,147</u>
Totals	<u>\$ 2,289,294</u>	<u>\$ 786,936</u>	<u>\$ 5,033</u>	<u>\$ 250,565</u>

General revenues:

Taxes
State grants
Cable franchise fees
Investment return

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Businesstype activities</u>	<u>Totals</u>
\$ (5,400)		\$ (5,400)
(251,368)		(251,368)
(705,640)		(705,640)
138,644		138,644
(182,827)		(182,827)
(615)		(615)
<u>(7,717)</u>		<u>(7,717)</u>
 <u>(1,014,923)</u>		 <u>(1,014,923)</u>
	\$ (246,390)	(246,390)
	<u>14,553</u>	<u>14,553</u>
	<u>(231,837)</u>	<u>(231,837)</u>
<u>(1,014,923)</u>	<u>(231,837)</u>	<u>(1,246,760)</u>
 886,563	-	886,563
322,823	-	322,823
41,447	-	41,447
<u>27,176</u>	<u>365,608</u>	<u>392,784</u>
<u>1,278,009</u>	<u>365,608</u>	<u>1,643,617</u>
 263,086	133,771	396,857
<u>909,643</u>	<u>10,567,317</u>	<u>11,476,960</u>
<u>\$ 1,172,729</u>	<u>\$ 10,701,088</u>	<u>\$ 11,873,817</u>

See notes to the financial statements

Township of Ontwa
BALANCE SHEET - governmental funds
 March 31, 2008

	<u>General</u>	<u>Police</u>	<u>Fire/ Ambulance</u>	<u>CDBG</u>	<u>Total</u>
ASSETS					
Cash	\$ 447,173	\$ -	\$ -	\$ -	\$ 447,173
Receivables, net	<u>76,040</u>	<u>28,348</u>	<u>28,348</u>	<u>138,418</u>	<u>271,154</u>
Total assets	<u>\$ 523,213</u>	<u>\$ 28,348</u>	<u>\$ 28,348</u>	<u>\$ 138,418</u>	<u>\$ 718,327</u>
LIABILITIES AND FUND BALANCES					
Liabilities - payables	\$ 5,709	\$ 28,348	\$ 28,348	\$ 138,418	\$ 200,823
Fund balances - unreserved, undesignated	<u>517,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517,504</u>
Total liabilities and fund balances	<u>\$ 523,213</u>	<u>\$ 28,348</u>	<u>\$ 28,348</u>	<u>\$ 138,418</u>	<u>\$ 718,327</u>
Total fund balances					\$ 517,504
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					<u>655,225</u>
Net assets of <i>governmental activities</i>					<u>\$ 1,172,729</u>

See notes to the financial statements

Township of Ontwa

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended March 31, 2008

	<u>General</u>	<u>Police</u>	<u>Fire/ Ambulance</u>	<u>CDBG</u>	<u>Total</u>
REVENUES					
Taxes	\$ 155,455	\$ 365,453	\$ 365,655	\$ -	\$ 886,563
Federal grants	1,607	-	-	138,418	140,025
State grants	325,263	-	-	-	325,263
Fines and forfeitures	16,023	-	-	-	16,023
Licenses and permits	41,722	-	-	-	41,722
Charges for services	28,638	-	-	-	28,638
Interest and rentals	27,176	-	-	-	27,176
Total revenues	<u>595,884</u>	<u>365,453</u>	<u>365,655</u>	<u>138,418</u>	<u>1,465,410</u>
EXPENDITURES					
Legislative	5,400	-	-	-	5,400
General government	247,322	-	-	-	247,322
Public safety	177,429	365,453	182,828	-	725,710
Public works	85,257	-	-	138,418	223,675
Health and welfare	-	-	182,827	-	182,827
Recreation and culture	615	-	-	-	615
Community and economic development	18,040	-	-	-	18,040
Capital outlay	2,270	-	-	-	2,270
Total expenditures	<u>536,333</u>	<u>365,453</u>	<u>365,655</u>	<u>138,418</u>	<u>1,405,859</u>
EXCESS OF REVENUES OVER EXPENDITURES	59,551	-	-	-	59,551
FUND BALANCES - BEGINNING	<u>457,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457,953</u>
FUND BALANCES - ENDING	<u>\$ 517,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517,504</u>

See notes to the financial statements

Township of Ontwa

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2008

Net change in fund balances - total governmental funds (page 5) \$ 59,551

Amounts reported for *governmental activities* in the statement of
activities (page 5) are different because:

Capital assets:

Additions (including contributed assets of \$23,000)	226,469
Provision for depreciation	<u>(22,934)</u>

Change in net assets of *governmental activities* \$ 263,086

See notes to the financial statements

Township of Ontwa
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2008

	<i>Business-type activities</i>		
	<i>Enterprise funds</i>		
	<i>Sewer</i>	<i>Nonmajor</i>	<i>Totals</i>
ASSETS			
Current assets:			
Cash	\$ 1,266,639	\$ 69,258	\$ 1,335,897
Receivables	645,676	-	645,676
Total current assets	1,912,315	69,258	1,981,573
Noncurrent assets:			
Restricted cash - contract covenant accounts	1,891,626	-	1,891,626
Receivables, non-current	3,980,735	-	3,980,735
Capital assets, net of accumulated depreciation	10,352,820	-	10,352,820
Deferred charges	115,635	-	115,635
Total noncurrent assets	16,340,816	-	16,340,816
Total assets	18,253,131	69,258	18,322,389
LIABILITIES			
Current liabilities:			
Payables	159,893	5,511	165,404
Contracts payable	544,478	-	544,478
Total current liabilities	704,371	5,511	709,882
Long-term liabilities - contracts payable	6,911,419	-	6,911,419
Total liabilities	7,615,790	5,511	7,621,301
NET ASSETS			
Invested in capital assets	3,012,558	-	3,012,558
Restricted for debt service	6,072,467	-	6,072,467
Unrestricted	1,552,316	63,747	1,616,063
Total net assets	\$ 10,637,341	\$ 63,747	\$ 10,701,088

See notes to the financial statements

Township of Ontwa

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET

ASSETS - *proprietary funds*

Year ended March 31, 2008

	<i>Business-type activities</i>		
	<i>Enterprise funds</i>		
	<i>Sewer</i>	<i>Nonmajor</i>	<i>Totals</i>
OPERATING REVENUES			
Charges for services	\$ 610,082	\$ 117,750	\$ 727,832
Other	15,154	-	15,154
Total operating revenues	625,236	117,750	742,986
OPERATING EXPENSES			
Utilities	160,305	3,850	164,155
Contracted services	113,896	-	113,896
Personnel costs	22,776	87,895	110,671
Professional fees	19,896	1,853	21,749
Telephone and other	22,294	9,599	31,893
Depreciation	235,902	-	235,902
Total operating expenses	575,069	103,197	678,266
Operating income	50,167	14,553	64,720
NONOPERATING REVENUES (EXPENSES)			
Hook-up charges	89,147	-	89,147
Interest income	363,881	1,727	365,608
Interest expense	(385,704)	-	(385,704)
Total nonoperating revenues	67,324	1,727	69,051
CHANGES IN NET ASSETS	117,491	16,280	133,771
NET ASSETS - BEGINNING	10,519,850	47,467	10,567,317
NET ASSETS - ENDING	<u>\$ 10,637,341</u>	<u>\$ 63,747</u>	<u>\$ 10,701,088</u>

See notes to the financial statements

Township of Ontwa
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2008

	Business-type activities		
	Enterprise funds		
	Sewer	Nonmajor	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 605,376	\$ 117,750	\$ 723,126
Payments to vendors and suppliers	(304,978)	(22,389)	(327,367)
Payments to employees	(21,440)	(82,602)	(104,042)
Net cash provided by operating activities	<u>278,958</u>	<u>12,759</u>	<u>291,717</u>
CASH FLOWS FROM NON-CAPITAL INVESTING AND FINANCING ACTIVITIES			
Collections on advance to Ambulance Authority	<u>18,770</u>	<u>-</u>	<u>18,770</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Special assessment principal received	500,416	-	500,416
Special assessment interest received	254,633	-	254,633
Principal reduction of long-term debt	(529,860)	-	(529,860)
Interest paid	(349,625)	-	(349,625)
Capital additions	<u>(7,941)</u>	<u>-</u>	<u>(7,941)</u>
Net cash used in capital and related financing activities	<u>(132,377)</u>	<u>-</u>	<u>(132,377)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>111,223</u>	<u>1,727</u>	<u>112,950</u>
NET INCREASE IN CASH	<u>276,574</u>	<u>14,486</u>	<u>272,290</u>
CASH - BEGINNING (including restricted cash of \$1,665,761 in the Sewer Fund)	<u>2,881,691</u>	<u>54,772</u>	<u>2,936,463</u>
CASH - ENDING (including restricted cash of \$1,891,626 in the Sewer Fund)	<u>\$ 3,158,265</u>	<u>\$ 69,258</u>	<u>\$ 3,208,753</u>

See notes to the financial statements

Township of Ontwa

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended March 31, 2008

	<i>Business-type activities</i>		
	<i>Enterprise funds</i>		
	<i>Sewer</i>	<i>Nonmajor</i>	<i>Totals</i>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 50,167	\$ 14,553	\$ 64,720
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	235,902	-	235,902
Decrease in receivables, net	(13,538)	-	(13,538)
Increase (decrease) in payables	6,427	(1,794)	4,633
Net cash provided by operating activities	<u>\$ 278,958</u>	<u>\$ 12,759</u>	<u>\$ 291,717</u>
Supplementary information:			
Non-cash capital and related financing activities:			
Principal reduction of long-term debt	\$ (581,610)	\$ -	\$ (581,610)
Less, decrease in loss on defeasance	51,750	-	51,750
Cash used	<u>\$ (529,860)</u>	<u>\$ -</u>	<u>\$ (529,860)</u>

See notes to the financial statements

Township of Ontwa
COMBINING BALANCE SHEET - Agency Funds
March 31, 2008

ASSETS

Cash	\$ 228,448
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LIABILITIES

Due to other units of government	\$ 218,543
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Escrow holdings	<u>9,905</u>
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Total liabilities	<u>\$ 228,448</u>
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See notes to the financial statements

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Ontwa, Cass County, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The Township is governed by an elected board of trustees. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

The Township is a sponsoring member of the Township of Ontwa-Edwardsburg Police Department, the Edwardsburg Joint Fire Board, and the Edwardsburg Ambulance Service. The Township appoints two members to each joint venture's governing board, and, the Township provides annual financial support to each entity. The Township does not retain an equity interest in either entity, and, accordingly, these entities are not considered includable in these financial statements. Financial information of the joint ventures is available from their respective offices in Edwardsburg, Michigan.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of all interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for special voted taxes levied to support operating costs of police services.

The Fire/Ambulance Fund accounts for special voted taxes levied to support operating costs of fire protection/response services and ambulance services.

The CDBG Fund accounts for federal grant proceeds, restricted for public works.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the operation of the Township's sewage system and treatment plant.

The Township reports two agency (fiduciary) funds - Tax Collection Fund, which accounts for property taxes collected on behalf of other local units of government, and Trust and Agency Fund, which accounts for escrow holdings on behalf of developers.

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iii) Capital assets (continued):

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Furniture, fixtures, and equipment	5 - 15 years
Roads	20 years
Sewer system	50 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

v) Property tax recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The Township incurred the following significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	Police	\$ 173,740	\$ 177,429	\$ (3,689)
	Public works	Street lighting	6,000	8,016	(2,016)
	Community and economic development	Planning and zoning	14,750	18,040	(3,290)
Police	Public safety	Police	348,281	365,453	(17,172)
Fire/Ambulance	Public safety	Fire	174,141	182,828	(8,687)
	Health & welfare	Ambulance	174,140	182,827	(8,687)

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

The Township's cash as shown in the accompanying financial statements are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 447,173	\$ 1,335,897	\$ 228,448	\$ 2,011,518
Restricted cash	<u>-</u>	<u>1,891,626</u>	<u>-</u>	<u>1,891,626</u>
Totals	<u>\$ 447,173</u>	<u>\$ 3,227,523</u>	<u>\$ 228,448</u>	<u>\$ 3,903,144</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. All deposits are with a single financial institution in the State of Michigan.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At March 31, 2008, \$5,199,536 of the Township's bank balances of \$5,399,536 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual funds are as follows. All amounts shown are considered fully collectible. All governmental fund amounts are due within one year.

	<u>Taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Total</u>
Governmental funds:						
General	\$ 14,338	\$ 11,011	\$ 50,691	\$ -	\$ -	\$ 76,040
Police	28,348	-	-	-	-	28,348
Fire/Ambulance	28,348	-	-	-	-	28,348
CDBG	<u>-</u>	<u>-</u>	<u>138,418</u>	<u>-</u>	<u>-</u>	<u>138,418</u>
	<u>\$ 71,034</u>	<u>\$ 11,011</u>	<u>\$ 189,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,154</u>
Proprietary funds:						
Sewer	<u>\$ -</u>	<u>\$ 92,258</u>	<u>\$ 211,288</u>	<u>\$ 4,149,192</u>	<u>\$ 173,673</u>	<u>\$ 4,626,411</u>
Due beyond one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,085</u>	<u>\$ 3,778,650</u>	<u>\$ -</u>	<u>\$ 3,980,735</u>

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Township for the current year was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets being depreciated:				
Building	\$ 384,181	\$ -	\$ -	\$ 384,181
Equipment	93,127	-	-	93,127
Streets	71,097	65,051	-	136,148
Subtotal	548,405	65,051	-	613,456
Less accumulated depreciation for:				
Building	(69,903)	(8,684)	-	(78,587)
Equipment	(29,180)	(8,256)	-	(37,436)
Streets	(4,982)	(5,994)	-	(10,976)
Subtotal	(104,065)	(22,934)	-	(126,999)
Total capital assets being depreciated, net	444,340	42,117	-	486,457
Capital assets not being depreciated:				
Land	7,350	23,000	-	30,350
Construction in progress	-	138,418	-	138,418
Subtotal	7,350	161,418	-	168,768
Governmental activities capital assets, net	\$ 451,690	\$ 203,535	\$ -	\$ 655,225
Business-type activities:				
Sewer system	\$ 11,793,158	\$ 7,941	\$ -	\$ 11,801,099
Less accumulated depreciation	(1,212,377)	(235,902)	-	(1,448,279)
Business-type activities capital assets, net	\$ 10,580,781	\$ (227,961)	\$ -	\$ 10,352,820

Depreciation expense was charged to governmental activities programs of the Township as follows:

General government	\$ 16,940
Public works	5,994
	<u>\$ 22,934</u>

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual funds, are as follows.

	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- governmental</u>	<u>Interest</u>	<u>Total</u>
Governmental funds:					
General	\$ 5,161	\$ 548	\$ -	\$ -	\$ 5,709
Police	-	-	28,348	-	28,348
Ambulance	-	-	28,348	-	28,348
CDBG	138,418	-	-	-	138,418
Total	<u>\$ 143,579</u>	<u>\$ 548</u>	<u>\$ 56,696</u>	<u>\$ -</u>	<u>\$ 200,823</u>
Proprietary funds:					
Sewer	\$ 5,856	\$ 864	\$ 18,684	\$ 134,489	\$ 159,893
Non-major proprietary fund	-	5,511	-	-	5,511
Total	<u>\$ 5,856</u>	<u>\$ 6,375</u>	<u>\$ 18,684</u>	<u>\$ 134,489</u>	<u>\$ 165,404</u>

NOTE 7 - LONG-TERM OBLIGATIONS:

Long-term obligations consist of the following contracts payable to Cass County, issued in connection with sewer system improvements and expansion. All debt is secured by the full faith and credit of the Township.

	<u>Face amount</u>	<u>Due in one year</u>
2004 \$1,097,124 contract, bearing interest at 4.00% to 4.90%, due in annual installments of \$100,000 to \$150,000, plus interest, through May 2024.	\$ 1,012,404	\$ 44,778
2005 \$6,565,000 refunding contract, bearing interest at 3.50% to 4.75%, due in annual installments of \$485,000 to \$640,000, beginning in May 2008, plus interest, through May 2019.	6,565,000	500,000
	<u>\$ 7,577,404</u>	<u>\$ 544,778</u>

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued):

Changes in long-term obligations during the year ended March 31, 2008, were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Proprietary fund - sewer				
2000 \$10,750,000 contract payable	\$ 500,000	\$ -	\$ (500,000)	\$ -
2004 \$1,097,124 contract payable	1,054,764	-	(42,360)	1,012,404
2005 \$6,565,000 refinancing contract payable	6,565,000	-	-	6,565,000
Call premium on refinanced contract	39,250	-	(39,250)	-
	<u>8,159,014</u>	<u>-</u>	<u>(581,610)</u>	<u>7,577,404</u>
Contract discount	(15,179)		7,818	(7,361)
Contract premium	133,677	-	(19,469)	114,208
Loss on refunded contract	<u>(307,738)</u>	<u>51,750</u>	<u>27,634</u>	<u>(228,354)</u>
	<u>(189,240)</u>	<u>51,750</u>	<u>15,983</u>	<u>(121,507)</u>
	<u>\$ 7,969,774</u>	<u>\$ 51,750</u>	<u>\$ (565,627)</u>	<u>\$ 7,455,897</u>

At March 31, 2008, debt service requirements were as follows:

<u>Years ending March 31:</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 544,478	\$ 313,132
2010	547,950	293,153
2011	537,950	272,660
2012	577,950	251,277
2013	562,950	228,786
2014 - 2018	3,107,700	757,503
2019 - 2023	1,577,700	125,996
2024 - 2025	<u>120,726</u>	<u>5,728</u>
Total	<u>\$ 7,577,404</u>	<u>\$ 2,248,235</u>

NOTE 9 - TRANSACTIONS AND BALANCES WITH SPONORED ORGANIZATIONS:

In 2008, the Township contributed \$542,482, \$182,828, and \$182,827 to the Ontwa-Edwardsburg Police Department, the Edwardsburg Joint Fire Board, and the Edwardsburg Ambulance Service, respectively.

At March 31, 2008, payables of governmental funds (and activities) included \$28,348 due to Ontwa-Edwardsburg Police Department, \$14,174 due to the Edwardsburg Joint Fire Board, and \$14,174 due to the Edwardsburg Ambulance Service.

Township of Ontwa
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$7,000,000, building contents and workers' compensation, and casualty are managed through purchased commercial insurance. For all such risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

The Township is involved in sewer special assessment appeals by two mobile home park owners. The total amount under appeal is approximately \$410,000. The Township and outside counsel believe that there is no merit to the suit and intend to defend it vigorously. Based on the facts known to date, it is not possible to determine the likelihood of an unfavorable outcome, and, accordingly, no provision for any liability that may result has been recorded in the accompanying financial statements.

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

a) Construction in progress:

In 2008, the Township began a project to extend sewer, water and roadway infrastructure to North American Forest Products, Inc. (the Company) to promote job creation. The project is to be financed by a \$360,000 U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant. As of March 31, 2008, the Township had signed contracts totaling \$342,117; cost-to-date totaled \$138,418.

b) Grant compliance:

As a condition of the federal grant mentioned above, the Company and the Township must comply with HUD guidelines until April 1, 2009. Should the Company or the Township fail to adhere to the terms of the grant, the Township would have to repay HUD.

NOTE 12 - PRIOR PERIOD ADJUSTMENT:

In 2008, the Township recorded a prior period adjustment to correct its method of accounting for amounts held for other units of government. The adjustment resulted in a reduction of opening fund balances and net assets, as follows:

	<u>Governmental activities</u>	<u>Governmental funds</u>	<u>General Fund</u>
	<u>Net assets</u>	<u>Fund balances</u>	<u>Fund balance</u>
Balance, beginning of year:			
As previously reported	\$ 967,507	\$ 515,817	\$ 515,817
Prior period adjustment	<u>(57,864)</u>	<u>(57,864)</u>	<u>(57,864)</u>
As restated	<u>\$ 909,643</u>	<u>\$ 457,953</u>	<u>\$ 457,953</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ontwa
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 148,347	\$ 148,347	\$ 155,455	\$ 7,108
State grants	311,000	311,000	325,263	14,263
Federal grants	1,100	1,100	1,607	507
Fines and forfeitures	13,000	13,000	16,023	3,023
Licenses and permits	33,340	33,340	41,722	8,382
Charges for services	16,725	16,725	28,638	11,913
Interest and rentals	8,000	8,000	27,176	19,176
Total revenues	<u>531,512</u>	<u>531,512</u>	<u>595,884</u>	<u>64,372</u>
EXPENDITURES				
Legislative	<u>6,000</u>	<u>6,000</u>	<u>5,400</u>	<u>600</u>
General government:				
Supervisor	18,060	18,060	16,554	1,506
Elections	14,500	14,500	4,689	9,811
Assessor	33,800	33,800	25,957	7,843
Clerk	25,900	25,900	20,235	5,665
Board of Review	3,100	3,100	63	3,037
Treasurer	25,900	25,900	23,327	2,573
Hall and grounds	33,950	33,950	16,091	17,859
Cemetery	1,000	1,000	1,000	-
Other	156,640	156,640	139,406	17,234
Total general government	<u>312,850</u>	<u>312,850</u>	<u>247,322</u>	<u>65,528</u>
Public safety - police	<u>173,740</u>	<u>173,740</u>	<u>177,429</u>	<u>(3,689)</u>
Public works:				
Highways and streets	92,000	92,000	68,164	23,836
Solid waste management	10,000	10,000	9,077	923
Street lighting	6,000	6,000	8,016	(2,016)
Total public works	<u>108,000</u>	<u>108,000</u>	<u>85,257</u>	<u>22,743</u>

Township of Ontwa**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 615</u>	<u>\$ 4,385</u>
Community and economic development - planning and zoning	<u>14,750</u>	<u>14,750</u>	<u>18,040</u>	<u>(3,290)</u>
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>2,270</u>	<u>730</u>
Total expenditures	<u>623,340</u>	<u>623,340</u>	<u>536,333</u>	<u>87,007</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(91,828)</u>	<u>(91,828)</u>	<u>59,551</u>	<u>151,379</u>
FUND BALANCES - BEGINNING	<u>457,953</u>	<u>457,953</u>	<u>457,953</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 366,125</u>	<u>\$ 366,125</u>	<u>\$ 517,504</u>	<u>\$ 151,379</u>

Township of Ontwa**BUDGETARY COMPARISON SCHEDULE - Police Fund***Year ended March 31, 2008*

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 348,281	\$ 348,281	\$ 365,453	\$ 17,172
EXPENDITURES				
Public safety	<u>348,281</u>	<u>348,281</u>	<u>365,453</u>	<u>(17,172)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Township of Ontwa**BUDGETARY COMPARISON SCHEDULE - Fire/Ambulance Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 348,281	\$ 348,281	\$ 365,655	\$ 17,374
EXPENDITURES				
Public safety	174,141	174,141	182,828	(8,687)
Health and welfare	<u>174,140</u>	<u>174,140</u>	<u>182,827</u>	<u>(8,687)</u>
Total expenditures	<u>348,281</u>	<u>348,281</u>	<u>365,655</u>	<u>(17,374)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Township of Ontwa
BUDGETARY COMPARISON SCHEDULE - CDBG Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grants	\$ 360,000	\$ 360,000	\$ 138,418	\$ (221,582)
EXPENDITURES				
Public works	<u>360,000</u>	<u>360,000</u>	<u>138,418</u>	<u>221,582</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

Township of Ontwa
COMBINING BALANCE SHEET - fiduciary funds
March 31, 2008

	<i><u>Trust and Agency</u></i>	<i><u>Tax Collection</u></i>	<i><u>Total fiduciary funds</u></i>
ASSETS			
Cash	<u>\$ 9,905</u>	<u>\$ 218,543</u>	<u>\$ 228,448</u>
LIABILITIES			
Due to other units of government	<u>\$ -</u>	<u>\$ 218,543</u>	<u>\$ 218,543</u>
Escrow holdings	<u>9,905</u>	<u>-</u>	<u>9,905</u>
	<u>\$ 9,905</u>	<u>\$ 218,543</u>	<u>\$ 228,448</u>

See notes to the financial statements

August 20, 2008

**Board of Trustees
Township of Ontwa
Cass County, Michigan**

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Township of Ontwa for the year ended March 31, 2008, and have issued our report thereon dated August 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Ontwa are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Ontwa during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audit for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Ontwa's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of Township of Ontwa, Cass County, Michigan, as of and for the year ended March 31, 2008, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they had been implemented, but it did not include procedures to test the operating effectiveness of controls, and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be significant deficiencies and deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- The payroll module has withheld incorrect amounts of Social Security and Medicare from the pay of certain employees in 2007, 2006, and in 2005. The correct amounts were paid into Social Security and Medicare, however the 2007, 2006 and 2005 W-2 and W-3 reflect the actual incorrect amounts withheld. The reason for improper withholding should be investigated, so as to prevent or detect errors in payroll processing. This is a recurring comment.
- Invoices are not annotated for approval. Evidence of approval documents accountability for expenditures, and assists in demonstrating effective segregation of duties. This is a recurring comment.
- Time reports for hourly employees are not signed by employees or supervisors. Such a practice serves to document accountability for payroll.
- Budget amendments are not approved for anticipated changes in the level of revenues and expenditures. Timely amendment of the budget demonstrates fiscal awareness of changes in available financial resources and/or intended uses of such resources. This is a recurring comment.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. We believe that the following deficiencies constitute material weaknesses.

- Two automated general ledgers are maintained, one by the Clerk and one by the Treasurer, yet neither can be reconciled to each other and neither can produce complete and accurate financial statements. The Clerk's general ledger is incomplete and out of balance. Recorded asset and liability accounts are grossly misstated and have not been reconciled to underlying support, and, certain asset and liability accounts balances are missing. The Treasurer's general ledger is in Quicken, a checkbook program. The Treasurer's ledger was found to be complete and accurate all checking account receipts and disbursements. However, certificates of deposit purchased during the year (and on hand as of the end of the year) were not recorded in asset accounts, so as to establish accountability over such assets. This is a recurring comment.

Subsequent to year-end, the Township updated the general ledger module and assigned sufficient resources to the Clerk to assist in creating and maintaining a current, complete and accurate general ledger.

- The reporting abilities of the utility and special assessment packages have not been fully utilized so as to enhance if not provide necessary controls over billing and collection. In addition, neither package is integrated with the general ledger. Integration with the general ledger permits control totals (balances outstanding) to be established that are automatically updated as transactions occur. There should be continued inquiry to the software provider as to how to best use the application, both as to processing and reporting. This is a recurring comment.
- Tax Collection Fund receipts and disbursements have not been recorded in a manner that documents the agency nature of the fund, By recording receipts as amounts due to specific taxing authorities, including the Township, and, recording disbursements against such "due to" amounts, it is possible to identify for whom the fund is holding monies. Disbursements should be made as soon as possible, so as to limit ongoing accountability. This is a recurring comment.
- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record receivables and payables, changes in capital assets and related debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the Township has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. This is a recurring comment.

This report is intended solely for the information and use of the Township Board of Trustees, management, others within the Township and Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.